

Top Secret 233

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_____ Friday December 31, 1976 _____ CI NIDC 76-305C _____

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NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Friday December 31, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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SPAIN: Carrillo's Release

25X1 . [] The release on bail of Spanish Communist leader
Santiago Carrillo and seven other party officials will probably
ease tensions in Spain and give a boost to government negotia-
tions with the opposition.

25X1 [] Only hours after Carrillo left prison, the Spanish
government announced the abolition of the controversial Public
Order Court that had handled his case; the government also
removed terrorist offenses from military jurisdiction. Both
reforms have long been demanded by the opposition, which con-
demned the special courts as instruments of Francoist repres-
sion. Political and terrorist cases will now be handled by
ordinary civilian courts.

25X1 [] The moves will anger rightist diehards, but the
recent ouster of far rightists from key security positions has
strengthened the government's ability to deal with trouble
from that quarter.

25X1 [] The greatest immediate danger is that Carrillo will
become a target of right-wing terrorists. Because of his
position in the party and his alleged personal involvement
in civil war atrocities, Carrillo is much hated by ultra-
rightists, who may feel compelled to take matters into their
own hands.

25X1 [] //Pending their trial, which will probably not
take place until after the legislative election next spring,
Carrillo and the other Communist leaders will reportedly have
all the rights and privileges of other Spanish citizens.//

25X1 [] The Communist Party remains banned and cannot
operate openly as a political party, although the government
has allowed it considerable freedom to participate in broad
opposition activities. []

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[] Other formulas are possible for Communist participation in the election, such as a tacit agreement allowing them to run as "independents" or as part of a leftist coalition.

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[] This question will probably be addressed during negotiations between the government and the opposition over the modalities that will govern the legislative election. The negotiations--delayed by internal bickering within the opposition, by Suarez' apparent refusal to meet with a team that includes a Communist representative, and most recently by the arrest of Carrillo--will probably get under way shortly.

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[] A Communist spokesman implied earlier this week that if Carrillo were released the Communist Party would be willing to withdraw its representative from the opposition negotiating team.

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[] The tension following Carrillo's arrest may have encouraged the government to tighten its control over the security forces, which are widely believed to be too tolerant of far-rightist excesses and too harsh with the emerging left.

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[] On December 23, the government announced that the director general of security and the heads of the two paramilitary national police forces, the civil guard and the armed police, would be replaced. Two more high security officials were removed on December 27. The changes, which show signs of high-level and even royal involvement, were probably the result of various accumulated pressures, but their abruptness may have been triggered by the arrest of Carrillo.

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[] The government is under pressure to move quickly to strengthen its control over the security forces because:

--The security forces must be re-educated to deal with an increasingly overt Communist Party.

--Negotiations with the opposition would be hindered by continued police harassment of leftists.

--The increasingly frustrated and isolated right may be more attracted to illegal methods.

--An unprecedented demonstration by civil guards and armed police on December 17--primarily over wages and working conditions--has increased public awareness that the government does not have full control over the security forces.

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[] The shakeup in the security hierarchy appears to be an extension of earlier moves by King Juan Carlos and Prime Minister Suarez, who have been following a gradual but clearly defined policy of replacing politically oriented Francoist holdouts in the military and the security forces with officers more willing to do the government's bidding. The first and most important step was the appointment last September of Deputy Prime Minister Gutierrez Mellado, replacing Santiago de Mendivil.

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CANADA: Nuclear Safeguard Policy

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[REDACTED] //Canada's new, more stringent policy on the export of nuclear equipment and materials goes into effect today.//

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[REDACTED] //Foreign Minister Jamieson announced last week that shipments of Canadian reactors and uranium would be restricted to states that have either ratified the Non-Proliferation Treaty or have accepted international safeguards of the International Atomic Energy Agency on their entire nuclear program.//

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[REDACTED] //The latter condition expands the traditionally stringent Canadian safeguards policy which required safeguards on only Canadian-supplied materials and equipment. By broadening its policy, Canada is attempting to assure that not only Canadian-supplied equipment but all materials its customers receive or produce are subject to international inspection.//

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[REDACTED] //Despite long-standing Canadian warnings that Ottawa would impose additional restrictions on its nuclear sales abroad, neither EC members nor the Pakistanis have yet worked out arrangements to meet the new Canadian policy. Recently, in fact, Ottawa rejected the latest Pakistani counter offer on safeguards coverage, and it is becoming increasingly likely that Canada and Pakistan will not come to terms on continued Canadian support to Pakistan's nuclear power program.//

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[REDACTED] //The problem with the Europeans is more complex. Under a 1973 agreement between IAEA and EURATOM--not yet in force--international safeguards have been accepted in principle by EC states. On the assumption that the EURATOM-IAEA safeguards agreement would soon enter into force, Canada has been supplying the Europeans for the past several years, even though the safeguards were applied by EURATOM and not the IAEA.//

25X1 [] //France, however, as a non-signatory of the Non-Proliferation Treaty has now rejected the blanket application of IAEA safeguards to its facilities. To get around this obstacle to the implementation of the IAEA-EURATOM agreement some EC countries must pass legislation accepting IAEA safeguards. This will require several months to complete.//

25X1 [] //These obstacles to the continuation of uranium shipments to Europe may be overcome if the Canadians agree to accept a provisional application of IAEA safeguards to EC countries other than France pending formal national legislation and consent to deal with the French on a case-by-case basis. But Canada has also raised broader nonproliferation issues, such as restraints on technology transfer, that the Europeans may find difficult to accept. Prospects for any agreement by today's deadline are practically nil. []

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INDONESIA: Demonstrations

25X1 [] //Indonesian officials are worried about possible student demonstrations this weekend. Security units have been placed on alert in a number of large cities.//

25X1 [] The last serious antigovernment protest was in Jakarta in January 1974 when hundreds of students opposed to the visit of then Japanese Prime Minister Tanaka were joined by thousands of city dwellers, triggering a significant demonstration that wrecked portions of Jakarta's Chinatown.

25X1 [] A complex mix of racial, economic, social, and political factors caused the disturbance to grow, and its target switched quickly from Tanaka to the large and conspicuous Japanese economic presence, to wealthy Indonesian officials who benefit from Japanese business practices, to local Chinese businessmen who cater to the foreign and Indonesian elite with luxurious bars, massage parlors, night clubs, and cinemas.

25X1 [] Since this protest, the government has tried to be tough on all of its critics. Although a few minor incidents have occurred in the past two years, most have been localized and easily dealt with. The students have not attempted any significant protest activity since the 1974 riots.

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[] The government continues to be concerned, however, especially as the national elections scheduled for May approach. President Suharto's popularity will be on the line for the first time in years, and his aides are anxious not to have any resurgence of antigovernment disturbances during the next few months.

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[] A rash of bombings occurred in Medan over the Christmas holiday and are being carefully investigated. Some of the targets were the same type of unpopular Chinese-managed entertainment centers attacked in 1974--symbols of high-living government officials and policies that foster economic inequities. Equally worrisome was the fact that Christian places of worship were also bombed--an indirect attack on the presence of Christians in high government positions and policies that are seen to discriminate against Muslims.

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[] If the demonstrations this weekend come off, they are not apt to reach the magnitude of the 1974 riots. One reason for the escalation at that time was initial reluctance of the police to get tough. The alert already in effect in four large cities suggests there will be better preparation and little leniency this time around. []

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EGYPT: Sadat Interview

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[] Egyptian President Sadat's suggestion in an interview published yesterday in the *Washington Post* that any future Palestinian state be linked with Jordan is not a new idea with Sadat. He has not pressed it for two years, however, and he is unlikely to do so now unless he can secure Syrian agreement.

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[] Sadat was somewhat cautious in discussing the issue with the *Post*, noting that he was presenting his own position. He seemed to be trying to give the US the impression that he retains enough influence to force such a suggestion through Arab councils. It is questionable whether he does have this much influence.

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[] In an effort to facilitate peace negotiations in 1974, Sadat urged the Palestine Liberation Organization to allow Jordan to negotiate with Israel for the return of the West Bank, on the

understanding that the territory might be turned over to the Palestinians as an independent state or a semi-autonomous region linked to Jordan.

25X1 [] This proposal was defeated at the Rabat summit in October 1974, when the Arab states stripped Jordan of negotiating authority for the West Bank and designated the PLO the sole representative of the Palestinian people.

25X1 [] Sadat has deferred to this position ever since, and he is unlikely to push for a reversal unless he can secure the cooperation of Syria, as the other principal Arab state involved in negotiations with Israel, in forcing the Palestinians to accept something less than full independence.

25X1 [] Sadat's credibility among the Arabs was damaged too badly by the second Sinai agreement last year to allow him to pursue an independent negotiating course or to press positions with which other key Arab states disagree. In fact, in a separate interview published yesterday in an Arab magazine, he did not mention the possibility of Palestinian-Jordanian linkage.

25X1 USSR: Price Increases

25X1 [] Rumors are circulating in Leningrad and other Soviet cities that prices on food and most consumer products will be increased on January 1, despite official statements to the contrary.

25X1 [] Speculation about price increases often occurs at this time of year. In the early 1970s, late-year rumors were so persistent that Soviet authorities were driven to deny them publicly. Except for a few luxury items, such as gold jewelry, fur products, champagne, and cognac, retail prices have not been increased since the early 1960s. Indeed, the long-run policy has been to reduce consumer goods prices selectively.

25X1 [] The current rumors persist despite a recent public statement by a high-level Soviet official that prices will remain stable. For emphasis, he added that even during the food shortage of 1975, the prices of bread, meat, and other foodstuffs were not increased at state stores.

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[redacted] Although price increases for basic consumer goods cannot be ruled out, General Secretary Brezhnev's identification with the consumer and the regime's awareness of the hostile reaction by Polish consumers to food price increases earlier this year suggest that there will be a continuation of the status quo. [redacted]

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BANGLADESH-CHINA: Visit

25X1 [] Bangladeshi strongman Zia ur-Rahman will begin a three-day official visit to China on Sunday. The Bangladeshi foreign minister told a US embassy official that the trip will be essentially a good-will visit, but that Zia will sign a trade protocol concluded earlier this month and will also seek development assistance and defense aid.

25X1 [] He said Zia wants small arms and the reopening of an ordnance plant that China built when Bangladesh was still part of Pakistan, but the US embassy suspects that Zia will ask for more.

25X1 [] The foreign minister contrasted Chinese noninterference in Bangladesh with alleged Indian and Soviet activities there, presumably meaning their support for antigovernment insurgents. Zia may hope that the specter of closer ties with Peking will somehow deter Moscow and New Delhi. He will at least expect the visit to increase his support from pro-Peking leftists at home. The Bangladeshis are concerned, however, about the possible effect of the visit on their relations with other countries and have informed the US, USSR, and Pakistan, and perhaps discussed the visit with India.

25X1 [] China, too, will have an eye on its slowly improving relations with India and is likely to treat Zia's request for military aid cautiously. Chinese military aid sent to Bangladesh up to now has been limited and served more to maintain than to improve Bangladeshi armed forces. []

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